OREZONE GOLD CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

March 31, 2010

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2009 (the "MD&A") may contain or refer to certain forward-looking statements relating, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, capital costs and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

CAUTIONARY NOTE TO U.S. INVESTORS CONCERNING RESOURCE ESTIMATES

The resource estimates in the MD&A were prepared in accordance with National Instrument ("NI") 43-101 adopted by the Canadian Securities Administrators. The requirements of NI 43-101 differ significantly from the requirements of the United States Securities and Exchange Commission (the "SEC"). The MD&A uses the terms "measured", "indicated" and "inferred" resources. Although these terms are recognized and required in Canada, the SEC does not recognize them. The SEC permits US mining companies, in their filings with the SEC, to disclose only those mineral deposits that constitute "reserves". Under United States standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally extracted at the time the determination is made. United States investors should not assume that all or any portion of a measured or indicated resource will ever be converted into "reserves". Further, "inferred resources" have a great amount of uncertainty as to their existence and whether they can be mined economically or legally, and United States investors should not assume that "inferred resources" exist or can be legally or economically mined, or that they will ever be upgraded to a higher category.

Introduction

Orezone Gold Corporation ("Orezone" or the "Company") was incorporated under the Canada Business Corporations Act on December 1, 2008 as part of the business combination between Orezone Resources Inc. ("Resources") and IAMGOLD Corporation ("IMG") (the "Transaction"). Upon completion of the Transaction on February 25, 2009, IMG effectively acquired the Essakane Mining Project and the Company acquired the non-Essakane assets and liabilities of Resources as well as CAD $9.7 million in cash. The Company's shares were listed on the Toronto Stock Exchange (the "TSX") on the same date and currently trades under the symbol "ORE". The key management and Board of Directors (the "Board") of Resources, with over 15 years of experience exploring, developing, financing and constructing gold operations in Burkina Faso, West Africa, have remained with the new Company. The Company continues to focus on the exploration and development of gold properties in Burkina Faso. The Company is also focused on the development of Uranium properties in Niger, West Africa.

The Company's audited annual consolidated financial statements and accompanying notes for the fiscal year ended December 31, 2009 (the "Financial Statements") contain amounts that were estimated based on a carve-out of the historical financial results of the non-Essakane assets and liabilities of Resources prior to February 25, 2009, as well as the Company's independent operating results from February 25 to December 31, 2009. The acquisition of the non-Essakane assets and liabilities has been accounted for on a continuity of interest basis. On this basis, the Financial Statements include comparative historical results of the non-Essakane exploration interests. These comparative figures are intended to represent what the Company's results would have been, had it been the independent operator of the non-Essakane exploration interests prior to February 25, 2009.

The MD&A is provided to enable the reader to assess material changes in financial condition and results of operations for the Company for the fiscal years ended December 31, 2009 and December 31, 2008.

The MD&A is intended to supplement and complement the Financial Statements and should be read in conjunction with the Financial Statements and Annual Information Form ("AIF") on file with the Canadian provincial securities regulatory authorities for the year ended December 31, 2009. All dollar amounts in this report are in United States dollars, unless otherwise specified.

The Financial Statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP").

The MD&A is prepared in conformity with NI 51-102F1 and has been approved by the Board of Directors prior to release.

Nature of Operations

The Company is engaged in the acquisition, exploration and development of gold properties, primarily in Burkina Faso, West Africa and uranium properties in Niger, West Africa. The Company is in the exploration stage and has not yet determined whether any of its properties contain mineral deposits that are economically recoverable. The Company's primary objective is to maximize shareholder value by identifying and developing commercially exploitable gold deposits.

Although the Company began trading publicly on February 25, 2009, the projects, management and Board represent the continuation of Resources' successful track record in Burkina Faso extending back to its inception in 1996. This includes the acquisition, exploration, development, financing, construction and divestiture of Essakane, the largest gold deposit in Burkina Faso. Burkina Faso is on track to become the fourth largest African gold producer by 2011 and much of this production will come from Essakane. Burkina Faso has similar geology, but is relatively underexplored, compared to the neighboring countries of Mali and Ghana, where more major discoveries have been made and a number of large mines have been built.

Burkina Faso has been politically stable for many years, has good infrastructure relative to much of West Africa, and has provided the opportunity to acquire both relatively large unexplored tracts of land, as well as more advanced stage assets, on reasonable terms. The Company will continue to focus the majority of its efforts in Burkina Faso.

The Company has three advanced gold projects. In 2010, the Company will focus on advancing its Bomboré and Sega projects towards pre-feasibility and a production decision. The Company expects to have completed all critical tasks necessary to evaluate whether the projects are economic by early 2011. The Company will also resume work on its 80% owned uranium exploration permits in Niger, West Africa. Until recently, the permits were under *force majeure* as a result of political unrest in northern Niger. The Company expects to spin the projects out in an initial public offering in late 2010. These projects represent significant unrealized value for the Company. The spin out of the uranium assets could provide significant capital that may be used towards the advancement of the Company's gold projects which are its main focus.

The Company is actively looking at potential synergies, mergers and acquisitions within the West African region. The Company is considering other strategic alternatives for some of its non-core assets in order to raise additional funds to advance the Bomboré Project with minimal dilution to its share capital.

Significant developments during, and subsequent to, 2009 included:

- On February 25, 2009, the Company acquired its assets, including CAD $9.7 million in cash, as a result of business combination between IMG and Resources. The Company simultaneously became listed on the Toronto Stock Exchange ("TSX");
- On March 25, 2009, the Board of Directors approved the Company's stock option plan (which was subsequently approved by shareholders at a special meeting held on May 15, 2009). The maximum number of common shares reserved for issuance under the Plan is equal to 10% of the Company's issued and outstanding common shares from time to time less the aggregate number of shares reserved for issuance or issuable under any other security based compensation arrangement for the Company;
- On April 23, 2009, the Company announced an exploration budget of $1.8 million for 2009, the majority of which would be spent completing a 20 hole drilling program and metallurgical testing at Bomboré to examine the feasibility of using heap leach and/or conventional milling technologies on the deposit. The Company announced assay results for the drill program in June 2009, which confirmed the continuation of the gold mineralization below the surface oxide resources (average 40 m depth) to a depth of 175 m. The Company announced the results of the metallurgical testing in October and December 2009 which confirmed that the oxide and transition resource is amenable to heap leaching with average test recoveries of approximately 80%;
- On July 23, 2009, the Company announced that Dr. James Gill was appointed to the Board of Directors;
- On August 4, 2009, the Government of Burkina Faso formally approved the renewal of the Namasa and Djarkadougou permits for a period of three years;
- On October 27, 2009, the Company and IMG mutually agreed to terminate the Kossa rights agreement. Upon termination, the rights to any current and future gold resource on the property reverted back to the Company. Management is currently evaluating whether to continue exploration on the project or explore other strategic alternatives;
- In November 2009, the Company announced that its subsidiary Brighton Energy Ltd. ("Brighton") had entered into an agreement with North Atlantic Resources Ltd. ("NARL") whereby Brighton would acquire NARL's three uranium exploration permits in Niger in exchange for a 20% interest in Brighton and CAD$250,000 in cash consideration. The Company received government approval for the transfer of the uranium permits on February 11, 2010 and the transaction subsequently closed;

- On January 5, 2010, the Company announced an increase in the NI 43-101 compliant gold resource estimate of its Sega project, located in Burkina Faso, from 446,000 to 450,000 ounces in the Indicated category and 64,000 to 147,000 ounces in the Inferred category;
- On January 26, 2010, the Company completed a CAD$10,005,000 equity financing whereby it issued 13,340,000 common shares at a price of CAD$0.75 per share. The net proceeds of CAD$9.2M from the Offering are being used principally to fund ongoing exploration and development activities at the Company's West African projects;
- On January 28, 2010, the Government of Burkina Faso formally approved the renewal of the Bomboré permit for a period of three years with a reduced surface area of 104.5km^2;
- On March 3, 2010, the Government of Burkina Faso signed a new Décret whereby the precious metal royalties and annual mining permit taxes were increased. The adoption of the Décret has been delayed pending discussions between industry and government representatives;
- On March 23, 2010, the Company received an invitation to pay the renewal fees on its Tiba permit from the Government of Burkina Faso. Although the Company has not yet received formal notification of renewal, ordinarily an invitation to pay the fees is an indication that the permit will be renewed; and
- On March 24, 2010, the Company announced results from a 3,000 m, 489 hole auger drilling program on its Bomboré project. The positive results will be followed up by a 5,000 m, 79 hole RC drilling program designed to expand the near surface oxide resources based on targets identified by the auger drilling and could extend the mineralized zone by 2.5 km.

Qualified Persons

Dr. Pascal Marquis, P. Geo., Vice President of Exploration, the Company's qualified person under NI 43-101, supervises all work associated with exploration and development programs in West Africa. Mr. Ron Little, P. Eng., the President and Chief Executive Officer ("CEO"), is also a qualified person under NI 43-101.

Exploration Permits

Burkina Faso

All of the Company's properties in Burkina Faso are comprised of exploration permits, as defined by The Burkina Mining Act #031-2003/AN (the "Mining Act"), dated May 8, 2003. At December 31, 2009, the Company had four permits covering approximately 787 km^2 in Burkina Faso. Exploration permits in Burkina Faso give the holder the exclusive right to explore for minerals requested on the surface and subsurface within the boundaries of the permit. Exploration permits are generally valid for a period of three years from the date of issue, and may be renewed for two more consecutive terms of three years for a total of nine years. The Government of Burkina Faso has been amenable to issuing new permits after the expiration of nine years in certain circumstances. The permit holder has the exclusive right, at any time, to convert the exploration permit to a mining exploitation license ("Mining Permit"). For Mining Permits, the government has the right to a 10% carried interest in the corporation formed for the purpose of mining, and a 3% royalty on gold produced. On March 3, 2010, the Government of Burkina Faso announced an amendment to its Mining Law whereby the government's royalty interest would be increased from 3% to 5% and the annual mining permit taxes would increase from XOF 500,000 (about USD $1,040) per km^2 per annum to XOF 7,500,000 (about USD $15,625) per km^2 per annum for the first five years, to XOF 10,000,000 (about USD $20,830) per km^2 per annum for the next five years and then to XOF 20,000,000 (about USD $41,665) per km^2 per annum from the eleventh year. The implementation of this new amendment has been delayed for the time being, pending discussions between industry and government representatives from the Ministry of Mines and Energy and the Ministry of Finances. The Company expects that, should the amendment be adopted, the revised royalty rate will apply to all three of its gold exploration projects in Burkina Faso.

Niger

In the Republic of Niger, exploration permits are also granted for an initial three year period and are renewable twice with 50% permit size reductions. For exploitation licenses, the government has the right to a 10% carried interest in any Nigerian corporation formed for the purpose of mining, can increase its interest to 40% by participating in development for the permits granted under the 2006-026 Décret dated 9 August 2006, and receives a 5.5% royalty on gold produced and a 5.5 to 12% royalty on uranium produced. The Company presently has one gold exploration permit (Kossa) covering 999 km^2 in Niger, granted prior to the 2006-026 Décret. The Kossa permit was subject to a formal agreement between the Company and IMG whereby IMG had the right to explore for and receive the benefit arising from the exploitation of gold deposits on the permit. On October 27, 2009, IMG gave the Company formal notice of its intent to terminate the Kossa Gold Rights Agreement as it did not intend to pursue further exploration activities on the property given budget constraints, as a result gold rights relating to the permit reverted back to the Company and approximately $104,951 of receivables related to exploration costs that would have otherwise been recoverable under the agreement were written off.

The Company, through an 80% owned subsidiary, also holds five uranium exploration permits covering 3,958 km^2. Two of the permits (Zeline 1 and Zeline 4), covering 982 km^2, were granted in the second quarter of 2007 by the Government of the Republic of Niger. The other three permits (Abelajouad, Assaouas 1 and Assaouas 2), covering 2,976 km^2, were acquired from NARL in a transaction that closed subsequent to year end.

The Company has signed Mining Conventions for each of the permits held in Niger, which specify the precise terms of any exploration or mining activity on each permit should the Company elect to take a project into operation. It provides guarantees of exclusivity and fiscal and legal policy. These Conventions have a term of 30 years for each of Kossa and Abelajouad permits and 20 years for each of Zeline 1, Zeline 4, Assaouas 1 and Assaouas 2. If the mining life is greater than the term of the Convention, the Conventions provide for re-negotiation. The Conventions grant fiscal incentives only available to the mining industry in Niger, including a five year income tax holiday for the Kossa and Abelajouad permits.

Resources on the Company's projects are as follows:

Category	Tonnes (millions)	Grade (Au g/tonne)*	Contained Gold (ozs)*
Bomboré			
Measured and indicated resources	49.4	0.59	927,000
Inferred resources	91.8	0.61	1,781,000
Sega			
Measured and indicated resources	8.3	1.69	450,366
Inferred resources	2.9	1.58	147,344
Bondi			
Measured and indicated resources	4.1	2.12	282,000
Inferred resources	2.5	1.84	150,000

* - using a 0.5 g/tonne cut-off except for Bomboré which uses a cut-off of 0.24 g/tonne for the oxide material, 0.25 g/tonne for the transition material and 0.52 g/tonne for the fresh material

Exploration activity

Exploration expenditures and drilling activity on the Company's properties for the years ended December 31 were as follows:

	2009		2008		2007	
		Drilling		*Drilling*		*Drilling*
	$	***(m)***	*$*	*(m)*	*$*	*(m)*
Bomboré	**2,471,687**	**7,502**	3,248,366	23,657	1,116,846	3,299
Sega	**295,096**	**-**	2,153,845	12,145	3,919,565	25,962
Bondi	**304,023**	**2,162**	186,121	-	1,648,595	15,414
Niger and Other	**349,761**	**-**	1,249,396	6,103	3,483,834	19,450
	3,420,567	**9,664**	6,837,728	41,905	10,168,840	64,125
Write-off of deferred exploration costs	**(387,541)**		(10,095,457)		(2,039,175)	

Bomboré Property

The Company is evaluating the potential of the Bomboré property to host a large-tonnage, low-grade, heap leachable oxide resource that has the benefits of a low strip ratio and favorable infrastructure. Resources remain open at depth and for the most part on strike. In 2009, the Company carried out a drilling program aimed at testing the continuity of the deposit to depths of up to 175 m. The Company also undertook a detailed metallurgical test program aimed at evaluating the potential for both heap leach and conventional milling as processing options for the deposit.

The Company began a 4,500 m DD drilling program in April 2009 and completed it in July 2009. The results confirmed the continuity of the deposit to vertical depths down to 175 m. The current resource model is based on drilling completed to an average depth of 55 m and shows continuity and consistency to marginally improving grades at depth. The Company began a 6 hole 3,000 m DD drilling program in the fourth quarter of 2009 to test the continuity of the deposit to depths of up to 300 m and reported on January 28, 2010, that although the gold mineralization continues to these depths, its grade does not improve.

In May 2009, the Company also commenced a detailed metallurgical test program with Ammtec Limited in Australia and supervised by GBM Minerals Engineering Consultants Ltd. The final results of the metallurgical testing program were released on December 8th, and confirmed that the oxide and transition resources are amenable to heap leaching. Test results showed better than expected recoveries with the oxide and transition material averaging +80%. Based on these positive results, the Company plans to complete a $1.9 million drill program in the first half of 2010 to infill and expand the oxide resource at Bomboré. The Company is also completing other critical activities necessary in order to advance the project towards a pre-feasibility stage, including an auger drilling program to test several areas with positive soil geochemistry that were not previously drilled and could represent several kilometers of extension to the current trend of the resource. The Company expects to be in a position to evaluate the economics of the project and make a decision as to whether to proceed with a feasibility study in early 2011.

The current Bomboré resource model was audited by SRK Consulting (Toronto) and the estimation procedures and results were released in the fourth quarter of 2008. The resource estimate consists of an Indicated resource of 926,600 ounces of gold contained in 49.4Mt at a grade of 0.59g/t along with Inferred resources of 1,781,000 ounces of gold contained within 91.8Mt at a grade of 0.61g/t (Table 1). This resource estimate is based on RC and core drilling data completed up to May 2007, using a lower cut off of 0.24 g/t in oxide material, 0.25g/t in transition material and 0.52g/t in fresh material, and a 5.0g/t top cut applied to individual samples (on average 1 m length). The resources occur at surface to a depth of up to 100 m in five zones contained within the Bomboré geochemical anomaly. This gold-in-soil anomaly overlying the resources extends virtually uninterrupted at a level of +0.1g/t for more than 14 km and represents the largest gold anomaly in Burkina Faso. Resources are open at depth and for the most part are still open along strike.

Table 1

2008 Audited Mineral Resource Statement* for the Bomboré deposit, Burkina Faso, West Africa, SRK Consulting

	Indicated Mineral Resource			Inferred 1 Mineral Resource			Inferred 2 Mineral Resource		
Weathering Profile	**Tonnage**	**Grade**	**Gold**	**Tonnage**	**Grade**	**Gold**	**Tonnage**	**Grade**	**Gold**
	(Mt)	**(g/t)**	**(Moz)**	**(Mt)**	**(g/t)**	**(Moz)**	**(Mt)**	**(g/t)**	**(Moz)**
Oxide[1]	30.6	0.53	0.52	32	0.46	0.48	2.3	0.33	0.02
Transition[2]	13	0.56	0.23	15.3	0.5	0.25	5.1	0.34	0.05
Fresh[3]	5.7	0.93	0.17	16.8	0.96	0.52	20.3	0.71	0.46
Total	**49.4**	**0.59**	**0.93**	**64.1**	**0.61**	**1.24**	**27.7**	**0.61**	**0.54**

* The cut-off grades are based on a gold price of US$800 per ounce with heap leach processing recoveries of 85% for oxide, 81% for transitional and 65% for fresh material. Indicated and Inferred 1 Mineral Resources are reported within conceptual optimized open pit shells, while Inferred 2 Mineral Resources are all remaining resource blocks located outside the pit shell. Weathering profiles: [1] reported at a cut-off of 0.24g/t, [2] reported at a cut-off of 0.25g/t, [3] reported at a cut-off of 0.52g/t. Mt= million metric tonnes. Moz= million troy ounces; g/t= grams gold per tonne

Expenditures were significantly lower in the year ended December 31, 2009 as compared to the prior year comparative period as the Company completed a much larger drilling program in 2008 (23,657 m vs. 7,502 m in 2009) in support of the updated resource estimate that was released in the fourth quarter of 2008.

In January 2010, the Company was granted its final three year renewal of the Bomboré permit and in the process the permit surface area was reduced to 104.5km^2.

Sega Property

The Sega property is being advanced toward potential production as a heap leach operation. The Company completed an NI 43-101 compliant internal resource update in 2009, the results of which were released on January 5, 2010. The update incorporated the results of the 8,050 m RC drilling and 4,421 m core drilling programs completed in 2007 and 2008 and resulted in an increase in the gold resource estimate from 446,000 to 450,000 ounces in the Indicated category and 64,000 to 147,000 ounces in the Inferred category. In 2010, the Company will focus on completing metallurgical testing and other critical activities necessary in order to advance the project towards a pre-feasibility stage. The Company expects to be in a position to evaluate the economics of the project and make a decision as to whether to proceed with a feasibility study in early 2011. Strategic options are also being reviewed including combining with other deposits in the area to achieve the critical mass necessary to support a producing operation.

The Company originally acquired the project from IMG (formerly Repadre Corporation) in 2001. Upon transfer, Repadre retained a 3% NSR in the project of which 2% can be bought back for US $2 million. The Company received formal confirmation of the renewal of the Namasa permit on August 4, 2009.

Exploration expenditures for the Sega project in the year ended December 31, 2009 decreased over the comparative prior year period as the Company's work on the project in 2009 was limited to an internal resource update whereas the Company incurred significant external expense in 2008 to complete a 12,145 m drill program.

The Company abandoned the Zomkalga, Koussouka, Tanlili, Zanna and Tougouya option agreements and wrote off related deferred exploration costs of $2,567,782 in 2008.

Bondi Property

The Bondi deposit is a shallow, structurally controlled shear zone hosted gold deposit that contains 282,000 ounces of gold at a grade of 2.12 g/t in the Measured and Indicated category and 149,600 ounces of gold at a grade of 1.84 g/t in the Inferred category. In April 2009, the Company commenced a field mapping exercise aimed at evaluating alternatives to test the southern extension of the deposit. During the fourth quarter of 2009, the Company commenced an air core drilling program to test a 4 km strike of the interpreted southern extension of the Bondi structure. The program successfully intercepted the interpreted structure on widely-spaced (>1,000 m) drill fences although only geochemical levels of gold anomalism where encountered. The Company is currently evaluating opportunities to increase resources to a level necessary to support a mining operation as well as other strategic alternatives.

The Company received formal confirmation of the renewal of the Djarkadougou permit on August 4, 2009.

Exploration expenditures in the year ended December 31, 2009 were higher than those in the comparative period in 2008 as a drill program was commenced during the fourth quarter of 2009 for which 2,162 m were drilled while there was no drilling on the property in the prior year.

The Company abandoned the Poyo and Nicéo permits in the year ended December 31, 2008 and wrote off related deferred exploration costs of $587,018.

Niger and Other Burkina Faso Properties

The Company did not complete any drilling on the Niger permits in the year ended December 31, 2009 resulting in lower exploration expenses over the comparative prior year period. Drilling in the year ended December 31, 2008 was limited to the Kossa permit, and the optioned Koyria permit in Niger which was abandoned in the third quarter of 2008. The Kossa gold permit was subject to a formal rights agreement between the Company and IMG however both parties agreed to terminate the agreement on October 27, 2009, therefore any exploration carried out on gold targets on the Kossa permit will no longer be reimbursable by IMG and the gold rights reverted back to the Company. The Company is currently evaluating whether to continue exploration on the property or to explore other strategic alternatives.

Uranium permits were under *force majeure* due to political instability in Niger until November 27, 2009. As a result, exploration expenses were not significant in 2009. Early in 2010, the political instability came to an end. It is once again safe to work in the region and as a result, the Company, through its 80% owned subsidiary, will spend approximately $3 million towards completing various exploration activities on the properties. Activities will include the establishment of a base camp in the region, airborne geophysical survey, and follow up ground mapping, prospecting, sampling and preliminary drilling on identified targets.

In the year ended December 31, 2009, deferred exploration costs of $387,541, the majority of which represents the carrying amount of the Kossa permit, were written off as the Company is currently not undertaking any exploration activities on the project and is evaluating its options with respect to continuing exploration on the permit or other strategic alternatives. In the year ended December 31, 2008, the Company abandoned the Nabéré, Tankiédougou, Komkara, and Koyria permits/options which resulted in a write-off of deferred exploration costs of $2,904,327. As well, in the year ended December 31, 2008, the Company wrote off $4,036,330 in deferred exploration costs related to its Kossa permit. This decision was based mainly on declining base metal prices in the fourth quarter of 2008 and the Company's decision not to continue with any significant exploration on the property.

Selected Annual Information

	2009	2008	2007
Consolidated Statements of Operations and Changes in Deficit (Summary)	**$**	$	$
Revenue	**-**	-	-
Administrative expenses	**2,003,067**	3,228,992	2,672,847
Net loss	**(1,752,387)**	(12,809,163)	(2,521,232)
Basic and diluted, net loss per common share	**(0.03)**	(0.29)	(0.13)
Consolidated Statements of Deferred Exploration Costs (Summary)			
Deferred exploration costs – additions	**3,420,567**	6,837,728	10,168,840
Write-off of deferred exploration costs	**387,541**	10,095,457	2,039,175
Consolidated Statements of Cash Flows (Summary)			
Cash (used in) provided by operating activities	**(1,283,969)**	(3,455,018)	181,847
Cash used in investing activities	**(3,264,291)**	(880,490)	(14,234,613)
Cash provided by financing activities	**5,069,148**	255,009	478,900
Effect of exchange rate changes on cash	**646,297**	(776,743)	135,606
Net increase (decrease) in cash	**1,167,185**	(4,857,242)	(13,438,260)
Consolidated Balance Sheets (Summary)			
Cash	**4,538,551**	3,371,366	8,228,608
Investments	**-**	24,744	7,065,335
Interest in exploration properties	**31,215,118**	28,046,452	29,813,439
Shareholders' equity	**35,675,598**	31,578,231	43,839,111
Total assets	**36,157,651**	32,050,491	45,624,002
Number of common shares outstanding (at December 31)[1]	**53,955,531**	1	Nil

[1] The Company issued 1 common share upon incorporation on December 1, 2008. Its shares were listed on the TSX on February 25, 2009 upon closing of the Transaction with IMG. Financial information prior to February 25, 2009 represents a carve-out of the non-Essakane exploration interests of Resources and is presented on a continuity of interest basis. See details in the Introduction.

Results of Operations

In 2009, the Company was still in a development stage with no operating business segment and no revenue generating activities.

For the year ended December 31, 2009, the Company recorded a net loss of $1.8 million compared to a net loss of $12.8 million for the year ended December 31, 2008. The decreased loss was due to fewer write-offs of deferred exploration costs, reduced administrative expenses and no gains on available-for-sale investments.

The Company's financial performance is largely a function of the level of administrative expenses required to operate and carry out its exploration activities.

Administrative expenses decreased by $1,225,925 in 2009 compared to 2008, due to:

- a $508,659 decrease in salaries, benefits, and consulting fees resulting from reductions in the salary levels of senior executives and a reduction in the number of employees following the transaction with IMG;

- a $357,182 decrease in office, general and administrative expenditures due to a reduction in IT purchases and support, insurance premiums, telecommunication and other related expenses as a result of the decreased headcount following the transaction with IMG;
- a $139,992 decrease in professional fees due to a reduction in the complexity of the Company's regulatory environment as it is no longer publicly listed in the United States and is no longer subject to the requirements of the Sarbanes-Oxley Act of 2002;
- a $184,795 decrease in public relations and travel due to a reduction in management travel and trade shows and management who attended them; and
- a $153,141 decrease in public company costs as the Company is not publicly listed in the United States.

The above items were partially offset by an increase in stock-based compensation expense of $111,963 due to options being issued in the second and third quarters of 2009 under the new option plan.

Net losses consist of administrative expenses combined with other non-operating items, including gains on the sale of investments, write-offs of deferred exploration costs, interest income, bad debt and gains and losses on the fair value of investments held for trading. On a net basis, other items contributed $250,680 of income in 2009 and $9,580,171 to expenses and losses in 2008.

The most significant changes in other items in 2009 compared to 2008 were:

- $211,368 decrease in the loss in fair value of investments held for trading, $1.7 million decrease in the gain on the sale of available-for-sale investments and a $398,401 decrease in the impairment of investments classified as available-for-sale. The Company no longer holds any short-term investments as they were retained by IMG on closing of the Transaction and the Company's treasury in 2009 was held entirely in cash;
- $9.7 million decrease in write-offs of deferred exploration costs; and
- $1.2 million increase in foreign exchange gains arising from the appreciation of the Canadian dollar relative to the US dollar over the prior year comparative period.

Summary of quarterly results and fourth quarter results

	2009			
	Q4	**Q3**	**Q2**	**Q1**
	$	**$**	**$**	**$**
Revenue	**-**	**-**	**-**	**-**
Net loss	**(520,137)**	**(193,927)**	**(438,532)**	**(599,791)**
Weighted average number of shares outstanding	**53,955,531**	**53,955,531**	**53,955,531**	**53,635,243**
Net loss per share, basic and diluted	**(0.01)**	**0.00**	**(0.01)**	**(0.01)**

	2008			
	Q4	**Q3**	**Q2**	**Q1**
	$	$	$	$
Revenue	-	-	-	-
Net loss	(7,196,185)	(2,805,819)	(400,327)	(2,406,832)
Weighted average number of shares outstanding	44,730,085	44,643,128	44,592,722	44,517,111
Net loss per share, basic and diluted	(0.16)	(0.06)	(0.01)	(0.05)

The Company's quarterly financial performance is a function of the level of administrative expenses required to operate a public company and manage its exploration activities. In certain quarters, these expenses have been offset by exchange gains, interest income and gains on the sale of listed shares.

The Company reported a loss of $520,137 in the fourth quarter of 2009 compared to a loss of $193,927 in the third quarter of 2009. The increased loss in the fourth quarter is due mostly to the following items:

- an increase of $387,541 in write-offs of deferred exploration costs due mainly to a charge taken on the Company's Kossa property in Niger;
- a $67,114 decrease in office, general and administrative expenses as a result of foreign taxes due to a vendor which were subsequently credited back to the Company;
- a $35,959 decrease in stock-based compensation related to stock options issued to employees under the plan based on the timing of vesting of the options;
- a $22,387 decrease in professional fees mainly due to tax advisory services obtained solely during the third quarter as well as a reduction in general advisory services from legal counsel;
- a $34,364 decrease in public relations and travel; and
- a decrease in foreign exchange gains of $118,071 over the third quarter of 2009 due to the weakening of the Canadian dollar.

Liquidity and Capital Resources

The Company had cash of approximately $4.5 million as at December 31, 2009, an increase of $1.2 million compared to the $3.4 million cash position at December 31, 2008. The increase is primarily attributable to the cash contribution from IMG at the close of the Transaction.

The Company has no cash flow generating operations and its long-term financial success is highly dependent on management's ability to discover economically viable mineral deposits. The Company has sufficient capital resources to pursue its exploration program on its projects in 2010 based on its cash balance at year end and its subsequent completion of an equity financing with net proceeds of CAD $9.2 million on January 26, 2010. Additional financing will be required in the future to bring one of the Company's properties into production. Although the Company has been successful in the past in obtaining such financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favorable.

Share Capital Information

At March 31, 2010, the Company had 67,375,531 common shares outstanding.

Commitments and Contingencies

The Company does not have any significant commitments or contingencies.

Off Balance Sheet Agreements

The Company does not have any off balance sheet agreements.

Transactions with Related Parties

In the year ended December 31, 2009, the Company charged $15,103 (December 31, 2008 – $nil) in administrative fees to Industrial Minerals Canada Inc. ("Industrial") for rent, expenses incurred on its behalf and administrative services that were provided by the Company. During these periods, the Company's Senior Vice President was a director and President of Industrial as well as a director of Industrial's parent company, Industrial Minerals Inc.

One of the Company's available-for-sale investments as at December 31, 2008 was common shares of a publicly traded company of which the Company's CEO was a director. The carrying and fair values of this investment were $nil and $21,443 as at December 31, 2009 and December 31, 2008, respectively. On March 23, 2009, the Company's CEO ceased being a director of this company.

In 2008, the Company charged $11,003 in administrative fees to San Anton Resource Corporation ("San Anton") for rent and other administrative services that were provided by the Company. During this period, the Company's CEO was a director of San Anton and San Anton's President and Chief Executive Officer ("CEO") was a director of the Company. On April 1, 2008, San Anton ceased to be a related party to the Company.

Proposed Transactions

The Company continually reviews potential merger, acquisition, investment and other joint venture transactions that could enhance shareholder value, however, at the current time, there are no reportable proposed transactions.

Risks and Uncertainties

The Company is in the business of exploring for minerals and if successful, ultimately mining them. The natural resource industry is by its nature, both cyclical and risky. Even though management has been successful in the past in developing economic deposits there is no assurance that economic deposits will be found and in fact, most companies are unsuccessful due to the very low odds of finding an economic deposit. Once a potentially economic deposit is identified, the Company's ability to establish a profitable mining operation is subject to a host of variables including technical considerations, economic factors and regulatory issues. Many of these are beyond the control of the Company.

The principal factor which will affect the Company's ability to successfully execute its business plan is the price of gold. The price of gold in US dollars has increased from approximately US $260 per ounce early in 2001 to over US $1,104 at March 30, 2010. This increase is widely attributed to a weakness in the US dollar. However, the future trend of both the price of gold and the US dollar cannot be predicted with any degree of certainty. The higher gold price improves the economics of any potential development project and just as important, has a favorable impact on the perceptions of investors with respect to gold equities and therefore, the ability of the Company to raise capital.

Investment in the natural resource industry in general, and the exploration sector in particular, involves a great deal of risk and uncertainty and the Company's common shares should be considered as a highly speculative investment. Current and potential investors should give special consideration to the risk factors involved.

Political Risk

The Company's principal assets are located in Burkina Faso and Niger, West Africa. While the governments of Burkina Faso and Niger have modernized their mining codes and are considered to be pro mining, no assurances can be provided that this will continue in the future. The Company's ability to carry on its business in the normal course may be adversely affected by political and economic considerations such as civil and tribal unrest, political instability, changing government regulations with respect to mining including environmental requirements, taxation, land tenure, income repatriation and capital recovery, fluctuations in currency exchange and inflation rates, import and export restrictions, challenges to the Company's title to properties, problems renewing licenses and permits, and the expropriation of property interests. Any of these events could result in conditions that delay or in fact prevent the Company from exploring or ultimately developing its properties if economic quantities of minerals are found. The Company does not currently maintain "Political Risk" insurance.

Currency Risk

In the normal course of operations, the Company is exposed to currency risk because of business transactions in foreign countries. The Company mainly transacts in United States dollars (USD), Canadian dollars (CAD), Euros (EUR), and Communauté Financière Africaine francs (CFA). Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Note 7 to the Financial Statements describes the Company's exposure to currency risk, including the currencies in which the Company's financial instruments were denominated as at December 31, 2009.

Exploration Risk

Mineral exploration is a highly subjective process that requires a very high degree of education, experience, expertise and luck. Furthermore, the Company will be subject to many risk factors that knowledge, expertise and perseverance are insufficient to overcome. The Company is also competing against a large number of companies that have substantially greater financial and technical resources. The probability of finding mineralization in economic quantities that can be profitably mined are very small and no assurances can be given that the Company will be successful.

Development Risk

The successful development of a mineral deposit is dependent upon a large number of technical factors and significant capital expenditures must be made before the effect of many of these factors can be fully quantified. Major assumptions with respect to reserves, production, costs, grades and recoveries for example, can vary significantly from those projected in a feasibility study.

Economic Risk

External factors such as commodity prices, interest and exchange rates and inflation rates all have fluctuated widely in the past and will continue to do so. It is impossible to predict the future direction of these factors, and the impact that they will have on the Company's operations, with any degree of certainty. In particular, the price of gold is a major factor in determining whether or not a project is economic and whether or not capital can be raised to develop it. While the price of gold is currently at relatively high levels, its future direction will be determined by a large number of factors including investor demand, industrial demand, worldwide production levels, forward selling, purchases and sales by central banks, political and financial instability, inflation, interest and currency exchange rates, etc.

Financing Risk

At the present time the Company does not have any producing projects and no sources of revenue. The Company's ability to explore for and find potentially economic properties, and then bring them into production, is highly dependent upon its ability to raise equity and debt capital in the financial markets. There is no assurance that the Company will be able to raise the funds required to continue its exploration programs and finance the development of any potentially economic deposit that is identified.

Title Risks

Title to mineral properties and exploration rights involves certain inherent risks due to the potential for problems arising from the ambiguous conveyancing history characteristic of many mining properties and from political risk associated with the countries in which the Company carries out its exploration activities. The Company has taken all reasonable steps to ensure it has proper title to its properties. However, no guarantees can be provided that there are no unregistered agreements, claims or defects which may result in the Company's title to its properties being challenged. Furthermore, the Company requires a number of different permits and licenses in order to carry on its business and there can be no assurance that they will be renewed upon expiry.

Environmental Risk

Both exploration programs and potential future mining operations are subject to a number of environment related regulations. It is the Company's intention to fully comply with all such legislation in the countries in which it operates, and to fully comply with generally accepted international standards in countries where environmental regulations are not as stringent as international standards. Compliance with these regulations may significantly delay or prevent the Company from carrying on its business in the normal course, or may substantially increase the cost of doing so. Furthermore, exploration and mining activities may cause accidental or unintended negative consequences for the environment that result in fines, penalties or sanctions that represent a significant cost to the Company or prevent it from continuing operations.

Management Dependence

The Company's activities are managed by a very small number of key individuals who are intimately familiar with its operations. At present, the Company does not maintain any key man life insurance.

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts recorded in the Financial Statements and relevant notes. These estimates are based on management's best knowledge of current events, and actions that the Company may undertake in the future. Significant estimates include those related to the fair value of financial instruments, the recoverability of the carrying value of mineral exploration properties and deferred exploration costs, the useful life of fixed assets and the impairment of long-lived assets and inventory. Management has also made estimates of the fair value of stock-based compensation that would have been granted to employees if the Company were operated as a stand-alone public entity prior to the close of the Transaction. Actual results may differ from those estimates.

The Consolidated Statements of Operations include all costs that have been estimated to be attributable to the Company, including allocations of Orezone's administrative expenses. The Company allocates administrative costs to specific projects when there is a direct relationship between the activity giving rise to the expense and the project. Unallocated costs remain as administrative expenses on the Consolidated Statements of Operations. Administrative expenses are primarily comprised of head office salaries and stock-based compensation, legal, accounting, tax, insurance, public relations, advertising, human resources, IT services and public company costs.

In preparing the Financial Statements, management allocated a portion of Resources' administrative expenses incurred prior to February 25, 2009 to the Company. Management believed the allocation was a reasonable representation of the costs that would have been incurred if the Company had performed these functions on a stand-alone basis. Following the completion of the Transaction, the Company performed these functions using its own resources or through purchased services.

All administrative expenses recorded in the Consolidated Statements of Operations which were performed by Resources for the Company have been deemed to have been paid by the Company to Resources in cash, with the exception of stock-based compensation costs which are non-cash, and were reflected as part of Shareholders' Equity.

The Company assesses its mineral properties on a quarterly basis to determine whether indications of impairment exist. The carrying amount of mineral properties are reviewed when events or changes in circumstances indicate that these amounts may not be recoverable. Estimated future cash flows from a property are calculated on an undiscounted basis and compared to the carrying amount of the mineral property. When the carrying amount exceeds the estimated undiscounted cash flows from the property an impairment exists and the carrying amount is written down to its fair value. When assessing impairment, the fair value of a mineral property should be estimated using a discounted cash flow analysis. When estimating cash flows, assumptions are made regarding reserves and resources, future commodity prices, as well as capital, operating and reclamation costs. Depending on the stage of exploration of a mineral property and whether the Company has completed any economic feasibility work, it may be difficult to estimate future cash flows reliably.

Where reliable estimates of future cash flows are not available, management assesses whether the carrying amount can be recovered based on quantifiable geological resources, empirical evidence such as geochemical analysis, drilling results, assays, mapping and field observation in relation to factors such as commodity markets, equity markets, exchange rates, political risk and proximity to other known operations, or the Company's assessment of its ability to sell the property for an amount greater than the carrying amount. An impairment is also recorded when management determines that it will discontinue exploration or development on a property or when exploration rights or permits expire.

Prior to the creation of the Company's stock option plan on March 25, 2009, the Company estimated stock compensation expense and cash proceeds from stock option exercises using the share price, volatility and grant dates of options granted to its employees under Resources' stock option plan, under the assumption that the Company's stock would have similar characteristics if it were publicly traded and stock options existed.

Compensation costs were measured at the grant date based on the fair value of the award using the Black-Scholes option pricing model, and were recognized over the related service period as an expense or deferred exploration cost, depending on the responsibilities of the employee, with a corresponding increase to contributed surplus.

Changes in Accounting Policies and Recently Issued Accounting Pronouncements

Changes in Accounting Policies

During the year ended December 31, 2009, the Company adopted the amendments to handbook sections 3855 and 3862 as well as new handbook sections 3064, EIC-173 and EIC-174 issued by the Canadian Institute of Chartered Accountants (CICA). The new standards and accounting policy changes are as follows:

Financial Instruments – Recognition and Measurement

In August 2009, the CICA issued an amendment to Handbook Section 3855, *Financial Instruments – Recognition and Measurement,* to provide guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category. This amendment is effective for reclassifications made on or after July 1, 2009. The application of this amendment did not have an effect on the Financial Statements.

Financial Instruments – Disclosures

In June 2009, the CICA amended Handbook Section 3862, Financial Instruments – Disclosures, to enhance disclosure of liquidity risk related to financial instruments and to include new disclosure of the method used to determine the fair value of financial instruments using the following fair value hierarchy:

- Level 1 – Quoted prices for identical assets or liabilities are available in the active market;
- Level 2 – Inputs, other than quoted prices included in Level 1, are observable for the asset or liability either directly or indirectly; or
- Level 3 – Inputs for the asset or liability are not based on observable market data.

This amendment is effective for annual financial statements relating to fiscal years ending on or after September 30, 2009. Required disclosures relating to the adoption of this amendment are included in Note 7 of the Financial Statements.

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted CICA Handbook Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this standard did not have an effect on the Financial Statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" which requires the Company to consider its own credit risk as well as the credit risk of its counterparties when determining the fair value of financial assets and liabilities, including derivative instruments. The standard is effective January 1, 2009 and is required to be applied retrospectively without restatement of prior periods. The adoption of this standard did not have an effect on the valuation of the Company's financial assets or financial liabilities at December 31, 2009.

Mining Exploration Costs

In March 2009, the CICA issued EIC-174, "Mining Exploration Costs" which provides guidance to mining enterprises related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The accounting treatment provided in EIC-174 has been applied in the preparation of the Financial Statements and did not have an effect on the valuation of exploration properties.

Recently issued accounting pronouncements

Business Combinations and Consolidated Financial Statements

In January 2009, the CICA issued three new accounting standards, Handbook Section 1582, *Business Combinations*, Handbook Section 1601, *Consolidated Financial Statements,* and Handbook Section 1602, *Non-Controlling Interests.* These standards are effective for business combinations entered into on or after January 1, 2011, however early adoption is permitted.

Handbook Section 1581, *Business Combinations* was replaced with Handbook Section 1582. This standard adopts relevant parts of International Financial Reporting Standard IFRS 3, *Business Combinations*. The adoption of this standard will impact the accounting for business combinations entered into on or after the January 1, 2011 effective date. The Company does not expect the adoption of Section 1582 to have an effect on its Financial Statements as it has not undertaken any business combinations that fall within this standard however it will continue to evaluate the potential impact of adoption to the extent that transactions arise that would qualify for treatment under this standard.

Handbook Section 1600, *Consolidated Financial Statements*, was replaced with Handbook Sections 1601 and 1602. Section 1601 establishes standards for the preparation of consolidated financial statements while Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company does not expect the adoption of these standards to have an effect on its Financial Statements however it will continue to evaluate the potential impact of adoption to the extent that transactions arise that would qualify for treatment under these standards.

Financial Instruments – Recognition and Measurement

In June 2009, Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, was amended to clarify the application of the effective interest method after a debt instrument has been impaired and to clarify when an embedded prepayment option is separated from its host debt instrument for accounting purposes. This amendment is effective January 1, 2011 and is not expected to have an effect on the Company's Financial Statements.

Comprehensive Revaluation of Assets and Liabilities

In August 2009, Handbook Section 1625, *Comprehensive Revaluation of Assets and Liabilities*, was amended to amend and remove guidance that was no longer applicable due to the issuance of Sections 1582, 1601 and 1602. The application of this standard is consistent with the timing of these new standards and a company must adopt Section 1582 should it decide to adopt this standard. The Company does not expect the adoption of this standard to have an effect on its Financial Statements as it has not undertaken any transactions that fall within this standard. The Company will continue to evaluate the potential impact of adoption to the extent that transactions arise that would qualify for treatment under this standard.

Equity

In August 2009, an amendment to Handbook Section 3251, Equity, was issued to reflect guidance in the new Handbook Section 1602. This amendment applies only to entities that have adopted Section 1602 and is not expected to have an effect on the Company's Financial Statements.

Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

In addition to investments in equity securities classified as available for sale, the Company's financial instruments include cash, other receivables, deposits, accounts payable and accrued liabilities. The fair value of these instruments is equivalent to the carrying value, given the short maturity period.

Conversion to International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for publicly accountable profit-oriented enterprises. The Company must report its consolidated financial statements in accordance with IFRS no later than for the first quarter of 2011, with restatement of the 2010 comparative information presented. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement, and disclosure. The Company has developed and implemented a project plan to ensure full compliance with this requirement by 2011. The Company's project plan consists of three phases:

Phase 1 – Scoping and Planning

This phase includes performing a high-level assessment to determine key areas of focus that will likely be impacted by the adoption of IFRS. The information obtained through this phase will be used to prepare a detailed plan for IFRS convergence. An assessment will also be performed as to whether information technology systems require modification in order to provide relevant and timely data required to meet the new reporting requirements under IFRS.

Phase 2 – Detailed Evaluation

This phase includes a detailed analysis of the impact of IFRS implementation on accounting determinations and disclosures. The detailed analysis will facilitate the selection of accounting policies under IFRS as well as the development of a detailed conversion strategy. A detailed determination of the impact of implementation on current internal control procedures and information technology will also be completed during this phase.

As part of its implementation of IFRS, the Company will be required to comply with "IFRS 1 – First Time Adoption of IFRS" which sets out the rules for first time adoption. In general, IFRS 1 requires an entity to comply with each IFRS statement effective at the reporting date for the entity's first IFRS financial statements. This requires that an entity apply IFRS to its opening IFRS balance sheet as at January 1, 2010 (i.e. the balance sheet prepared at the beginning of the earliest comparative period presented in the entity's first IFRS financial statements). Within IFRS 1 there are exemptions, some of which are mandatory and some of which are elective. The exemptions provide relief for companies from certain requirements in specified areas when the cost of complying with the requirements is likely to exceed the resulting benefit to users of financial statements. IFRS 1 generally requires retrospective application of IFRS statements on first-time adoptions, but prohibits such application in some areas, particularly when retrospective application would require judgments by management about past conditions after the outcome of a particular transaction is already known.

Phase 3 – Implementation and Reporting

This phase includes formally implementing necessary changes to internal control procedures in order to comply with IFRS. In this phase, the final selection of accounting policies, reconciliation of financial statement balances as at January 1, 2010 to IFRS, and ultimately the preparation of financial statements and related disclosures required under IFRS as at and for the year ended December 31, 2011.

Progress to Date

Management has completed the scoping and planning phase as well as a detailed diagnostic identifying the key areas of expected impact on conversion. The detailed diagnostic included the identification of accounting differences related to the Company's critical accounting policies, an examination of the impact of mandatory exemptions under IFRS 1, First Time Adoption, and the selection of policies where alternatives exist under optional exemptions outlined in IFRS 1. Management has also substantially determined the impact of conversion on the presentation and disclosure of its Financial Statements. The Company is now in the process of quantifying the impact of expected differences identified and developing the IFRS opening balance sheet as at January 1, 2010. The Company expects to include quantitative disclosure of the impact of differences identified later in 2010. As this process is completed, appropriate changes to ensure the integrity of internal control over financial reporting and disclosure controls and procedures will be made, including changes in controls or procedures to address reporting of first time adoption and opening balances under IFRS. Management continues to monitor the potential impacts of conversion on business processes and information systems. There are a number of IFRS standards in the process of being amended by the International Accounting Standards Board and are expected to continue until the transition date of January 1, 2011. The Company is actively monitoring proposed changes. The Company continues to provide access to necessary external technical IFRS training for key employees involved in the financial reporting process.

The following areas have been identified as having the highest potential impact on the Company's financial reporting: accounting for exploration costs, accounting for stock based compensation, methodology for impairment testing, property, plant and equipment, disclosure and presentation, and the provisions related to the initial adoption of IFRS under IFRS 1, First Time Adoption. Below is a summary of the expected impact in each area:

Accounting for Exploration Costs

Both Canadian GAAP and IFRS allow the choice of capitalizing or expensing exploration costs. The Company's policy under Canadian GAAP has been to capitalize all exploration costs. Management plans to continue to follow the same accounting policy under IFRS. IFRS does however differ from Canadian GAAP in that it does not allow the capitalization of costs incurred prior to obtaining an exploration permit. The Company is in the process of identifying any such costs capitalized. Costs identified will be recorded in the opening deficit upon transition.

Accounting for Stock-Based Compensation

The guidance provided by IFRS 2, "Share Based Payments", is largely consistent with Canadian GAAP and requires estimates of the fair value of stock options to be made at the date of the grant and recognition of the related expense in income as the options vest. The use of the Black-Scholes model is an acceptable method to estimate the fair value of the options at the date of grant, and is consistent with the Company's current practice. For share options that vest in installments, IFRS 2 requires the use of the attribution method, which requires that the Company treat each installment as a separate share option grant with a different fair value. Unlike Canadian GAAP, IFRS 2 does not include the straight line method as an alternative to the attribution method for awards with a service condition and graded-vesting features. The Company will need to account for its awards using the attribution method.

Currently the Company records forfeitures as they occur, however upon transition to IFRS, the Company will be required to make an estimate of the forfeiture rates for use in the determination of the total share based compensation expense. These changes will result in a difference in valuation of the stock based awards and timing differences for the recognition of compensation expenses.

IFRS 2 is applicable for stock-based compensation expense issued on or after January 1, 2005; earlier adoption is permitted. The Company plans to retrospectively apply the provisions of IFRS 2 on adoption which will require changes to the valuation and timing of compensation expense related to options granted on March 25, 2009, May 26, 2009, and July 23, 2009.

Impairment of Long-Lived Assets

Under Canadian GAAP, impairment testing of long-lived assets is based on a two-step approach. Estimated undiscounted cash flows arising from the use of the asset group are compared with the carrying amount of the assets to determine whether impairment exists. If impairment exists, the second step is to determine the amount of impairment to be recognized by comparing the carrying amount with the discounted cash flows and recording the excess as an impairment loss. Under IAS 36 Impairment of Assets ("IAS 36"), a one-step approach is applied whereby the carrying amount of the asset group is compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This approach may produce an impairment loss where one would not have otherwise been recognized in cases where the undiscounted cash flows are higher than the carrying amount of the assets. Further, under IAS 36 there is a requirement to reverse previously recognized impairment losses in certain instances where circumstances have changed such that the impairments have been reduced. Canadian GAAP does not allow for the reversal of impairment losses under any circumstances. The Company will adopt IAS 36 upon conversion to IFRS.

Property, Plant and Equipment

IAS 16 Property, plant and equipment ("IAS 16") reinforces the requirement under Canadian GAAP that requires each part of property, plant and equipment ("PP&E") that has a cost that is significant in relation to the overall cost of the item should be depreciated separately. IAS 16 also provides guidance that would require major overhauls to be treated as separate components of plant and equipment, with the overhaul cost capitalized and depreciated over the period to the next major overhaul. It is not expected that the application of this requirement will significantly affect the measurement or presentation of the Company's current PP&E. It is important to note that this could change if at some point the Company transitions from being an explorer to a producer.

IAS 16 permits the periodic revaluation of PP&E and leasehold improvements to fair value and under IFRS, interest on funds borrowed to purchase PP&E must be capitalized. The cost method, as used by the company under Canadian GAAP, is also acceptable under IFRS (other than the aforementioned requirement to capitalize borrowing costs). Upon adoption of IFRS, the Company must make an accounting policy choice as to how to account for PP&E (a) upon transition to IFRS; and (b) on a continuing basis. The Company's capital asset base is not significant given that the Company is still in the exploration phase. The Company has decided not to adjust PP&E to fair value on transition and to use the cost method on a continuing basis. On this basis, it is expected that the retroactive adoption of the requirements of IAS 16 will not have a significant impact on the Company's Financial Statements.

IFRS 1: First-Time Adoption of IFRS

IFRS 1 provides the framework for the first-time adoption of IFRS and specifies that an entity shall apply the principles under IFRS retrospectively. Certain optional exemptions and mandatory exceptions to retrospective application are provided under IFRS. For the Company the material exemptions relate primarily to the deemed cost for the property, plant and equipment ("PP&E"), stock-based compensation expense, and cumulative translation differences. As discussed above, the Company has decided not to revalue its PP&E upon conversion to IFRS. The Company will retrospectively adjust compensation expense related to all stock option grants that fall within the scope of IFRS 2.

Under IAS 21 – “The effects of changes in foreign exchange rates”, certain foreign currency translation differences, such as those on the opening net assets of a net investment in a foreign subsidiary, are recognized as reserves. The exemption in IFRS 1 allows the cumulative translation difference to be removed upon transition to IFRS. The Company has chosen to exercise this exemption on conversion. As a result, the cumulative translation adjustment that currently appears on the balance sheet as part of accumulated other comprehensive income will be removed and shown as part of the opening deficit on conversion.

Controls and Procedures

Disclosure Controls

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to management as appropriate to allow timely decision making regarding required disclosure. The Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) have concluded, based on their evaluation of the effectiveness of the Company’s disclosure controls and procedures, that these controls and procedures provide reasonable assurance that material information is made known to them by others within the Company. However, a control system, no matter how well conceived, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Control Over Financial Reporting

Management is responsible for certifying the design of the Company’s internal control over financial reporting (“ICFR”) as required by Multilateral Instrument 52-109 – “Certification of Disclosure in Issuers Annual and Interim Filings”. The Company’s ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable Canadian generally accepted accounting principles (“GAAP”). ICFR should include those policies and procedures that:

• pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets;

• provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the Company’s Board of Directors; and

• provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives due to its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to error, collusion, or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis. It is possible to design into the financial reporting process safeguards to reduce, though not eliminate, this risk.

Management, including the CEO and CFO, has assessed the effectiveness of internal controls over financial reporting as of December 31, 2009 and concluded, subject to the limitations noted above, that the Company has sufficient controls to meet the requirements as stated above. The assessment was completed using the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

Changes in Internal Controls

There have been no significant changes to internal controls in the year ended December 31, 2009.

<u>Other MD&A Requirements</u>

All relevant information related to the Company is filed electronically at **www.sedar.com**.